Government of the Northwest Territories
2015-2016 Business Plan

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1. Introduction

The 2015-16 business plan is an integral part of overall planning within the Government of the Northwest Territories (GNWT). It provides details on the activities that have been achieved during the life of the 17th Legislative Assembly and activities that are planned for 2015-16 to advance the vision, goals and priorities developed and agreed to by all Members of the 17th Legislative Assembly under the theme of *Believing in People and Building on the Strengths of Northerners*.

Vision

Strong individuals, families and communities sharing the benefits and responsibilities of a unified, environmentally sustainable and prosperous Northwest Territories

Goals

- A strong and independent north built on partnerships
- An environment that will sustain present and future generations
- Healthy, educated people free from poverty
- A diversified economy that provides all communities and regions with opportunities and choices
- Sustainable, vibrant, safe communities
- Effective and efficient government

Priorities

Build a strong and sustainable future for our Territory by strengthening our relationships with Aboriginal and other northern governments, negotiating and implementing a devolution final agreement, achieving an increase to our borrowing limit, and working with our partners to ensure responsible stewardship through our land and resource management regime.

Increase employment opportunities where they are most needed by decentralizing more GNWT positions, reducing dependency on government by encouraging people who are able to enter or remain in the workforce, and supporting child care programs to help parents become or stay employed.

Strengthen and diversify our economy by making strategic infrastructure investments such as the Inuvik-Tuktoyaktuk highway, the Mackenzie Fibre Optic Link, and hydro initiatives, supporting the Mackenzie Gas Pipeline project, developing a socially responsible and environmentally sustainable economic development and mining strategy, supporting the traditional economy, and improving our regulatory processes.

Address housing needs by completing and implementing the Shelter Policy Review including fair and sustainable public housing rent scales, selling our public housing stock where this makes sense, and putting higher density housing units in small communities.

Ensure a fair and sustainable health care system by investing in prevention, education and awareness and early childhood development, enhancing addictions treatment programs using existing infrastructure, and addressing our health facilities deficit.

The GNWT continues to undertake many activities and actions designed to advance these priorities, as well as continuing to support the ongoing core business of government. Seven Committees of Cabinet coordinate activities that are cross-departmental, cross-government or broader than cross-government.

The Committees of Cabinet and their objectives are:

Priorities and Planning Committee of Cabinet: To track and monitor the government's progress in addressing the five key priorities which were established by the Caucus of the 17th Legislative Assembly in November 2011.

Economic and Employment Development Committee of Cabinet: To review evaluate and offer recommendations on matters concerning economic and employment development in the NWT, including attempts to diversify the economy and improving residents' work skills and employability.

Social Envelope Committee of Cabinet: To consider, evaluate and provide advice to Cabinet and the Financial Management Board (FMB) on a range of actions designed to promote, preserve and help manage the long-term health and social well-being of NWT residents.

Managing This Land Committee of Cabinet: To promote a corporate approach to land use and water management consistent with established Cabinet direction.

Ministerial Energy Coordinating and Climate Change Committee of Cabinet: To ensure a focused, coordinated, government-wide approach to the development and implementation of both energy policies and actions designed to address climate change.

Infrastructure Committee of Cabinet: To review and evaluate current GNWT infrastructure planning, acquisition and delivery policies, approaches and mechanisms to ensure a clear and consistent corporate perspective on the planning and acquisition of infrastructure.

Refocusing Government Committee of Cabinet: To propose, track, monitor and evaluate the government's efforts and initiatives related to improving programs and services.

Each of the departmental business plans includes a departmental overview. This section highlights the operating environment and emerging issues which have direct and substantial impacts on department's programs and services. The subsequent section is a resources summary which includes financial details as well as a human resources summary. The following is a breakdown of key activities by department. This section is divided into five headers: *Description*, *Responding to Goals and Priorities of the 17th Legislative Assembly*, *Departmental Highlights*, *Cross-Departmental Initiatives* and *Performance Measures*.

When possible, performance measures are intended to build on measures established in previous business plans. In some cases, performance measures have been recently developed to address departmental changes due to devolution. Each of the performance measures report up to and including March 31, 2014.

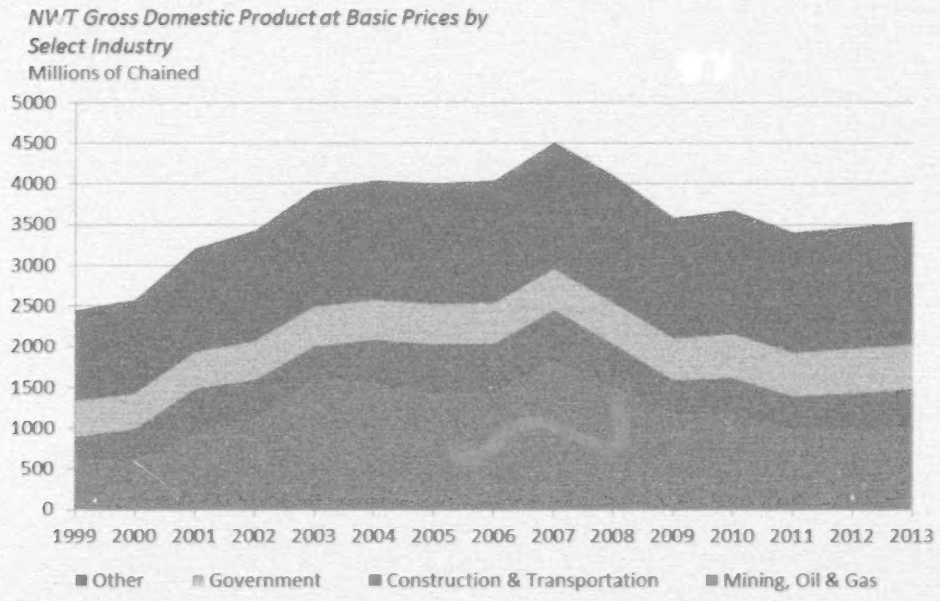
The four sub-sections preceding performance measures illustrate all key activities and details about the work that each department has achieved during the life of the 17th Legislative Assembly. It includes plans for the upcoming fiscal year to advance their program and service initiatives as well as how these activities respond to the priorities of the current Legislative Assembly.

2. Environmental Scan

Economic conditions

The territory has experienced limited economic growth in recent years and has been affected by the global recession after a number of years of unprecedented economic growth created by the development of the diamond industry. Maturing diamond mines have led to decreased diamond production in recent years.The decline in mining, oil and gas exploration activities has also impacted sectors such as transportation and other service industries.

Overall, investment spending in the Northwest Territories has declined in the last six years, particularly private investment in mining and oil and gas development; compared with 2007, public and private investment spending remains down 27%. Mineral exploration expenditures have also been on the decline in the Northwest Territories. Northwest Territories mineral exploration fell from 6.8% of the Canadian total in 2007 to a low of 2.2% in 2011 and is expected to be just 3.3% 2014. On the other hand, public sector investment was higher than historical levels in the past four years because of stimulus funding and the Deh Cho Bridge project, which opened in the fall of 2012.



In many ways, the impact of the recession followed a similar pattern in the Northwest Territories as the rest of Canada. There was a sharp downturn in economic activity in late 2008, with signs that conditions leveled in early 2009 and began to recover in 2010. However, the NWT has been slower to recover. In 2010, the economy of the Northwest Territories grew by 1.3% while the national GDP growth was 3.4%. Last year, the Northwest Territories' GDP grew by 1.9% while at the same time the national GDP grew by 2.0% and the GDP of Nunavut and Yukon grew by 10.5% and 1.3% respectively.

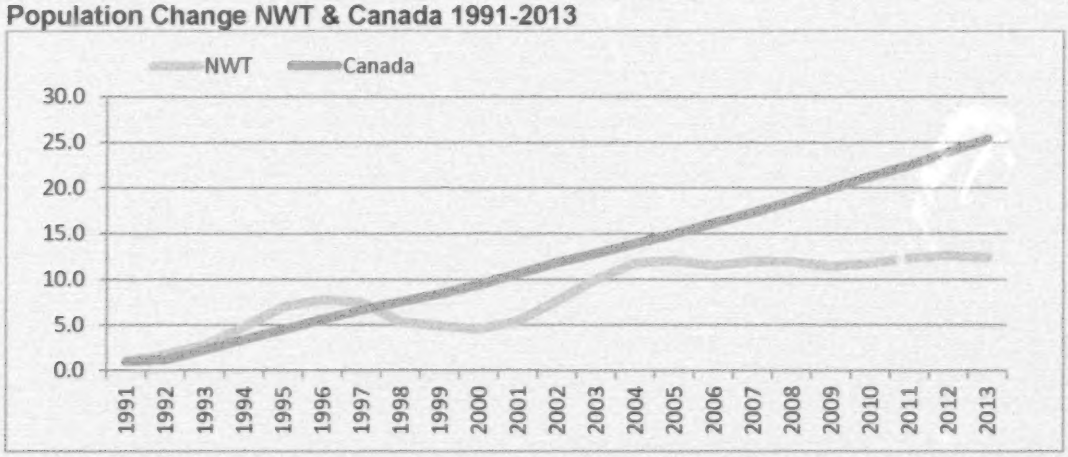
Moderate GDP growth is expected to continue in the Northwest Territories this year and the next, as production at maturing diamond mines slows. However, brighter prospects are expected for the rest of this decade. Diamond production resulting from the opening of Gahcho Kue mine in 2016 and the possible extension of the Ekati diamond mine will increase private investment spending and result in real GDP growth. In addition, three new metal mines are in the final stages of approval and development, and will contribute to construction activity in the Northwest Territories and increased wages and household income when they advance.

The *Mineral Development Strategy* and *Economic Development Strategy* released 2013-14 outline the GNWT's approach to take advantage of the opportunity for increased investment in the Northwest Territories. The focus of these strategies is to ensure the Northwest Territories' economy expands and grows in a sustainable manner, minimizing potential social and environmental impacts, and that all regions and communities in the Northwest Territories benefit from that economic growth.

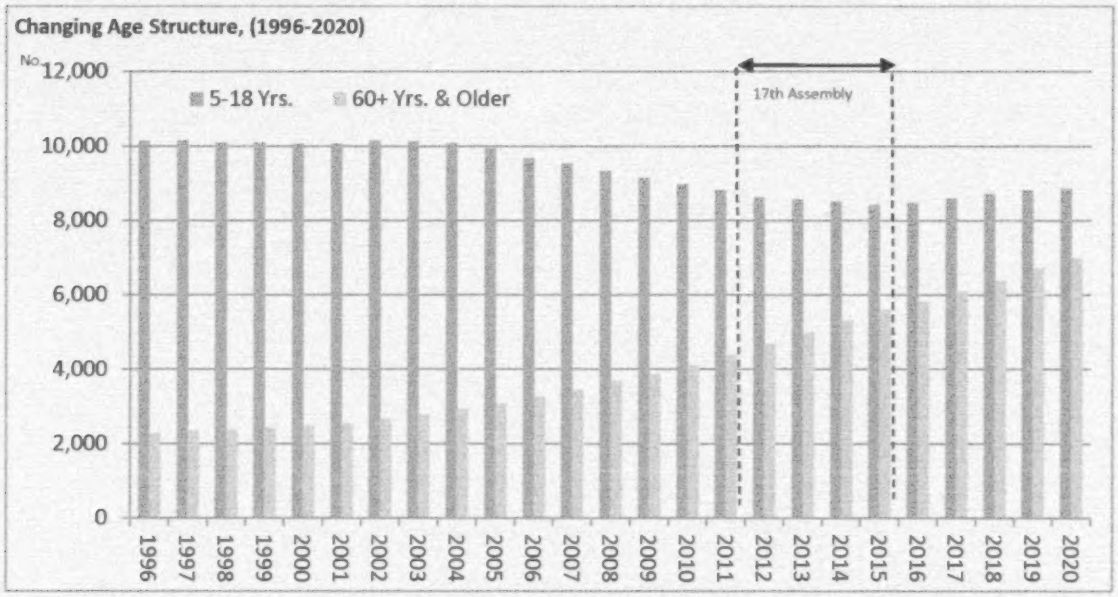
Population

Overall population growth in the Northwest Territories has been relatively flat for the past ten years. With declining birth rates, inter-provincial migration is now the most critical component of population growth in the territory, and more people have left the NWT than have moved here in each of the past ten years. The lack of overall population growth has a direct relationship with economic growth, as well as significantly impacting the Territorial Financing Formula with the Government of Canada. The GNWT has announced a *Population Growth Strategy* to encourage population growth of 2,000 over the next five years. This would represent growth of approximately 1% per year.

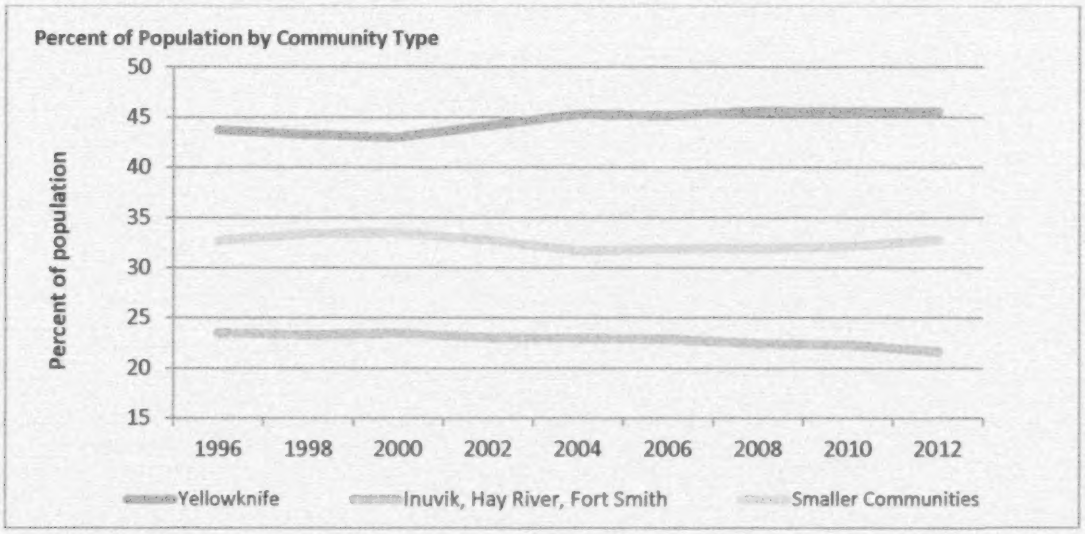
Population Change NWT & Canada 1991-2013



There have been significant changes in age structure and community-level population growth rates that are likely to continue. The number of residents 60 years of age and over is expected to increase by 33.6% between 2011 and 2016. A rising seniors' population will increase demand for health care and other services, and reduced numbers of youth may affect demand for K-12 programming in schools.



However, while the overall population has been mostly static in recent years, there has been a slight shift in the balance of where people live. Since 1996 Yellowknife has seen a slight increase, while regional centres and smaller communities have seen a slight decline in the percentage of total population residing there.



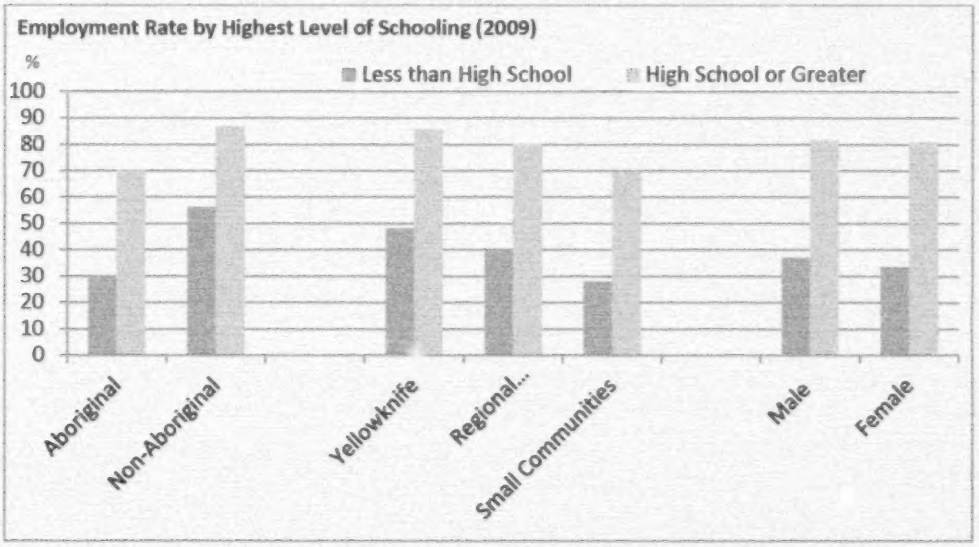
Likewise, the trend towards urbanization continues, especially among aboriginal residents: between 2001 and 2011, the Aboriginal population in Yellowknife grew by 18.9% while in the three largest regional centres (Fort Smith, Hay River and Inuvik) the growth of the Aboriginal population was 7.4% and only 1.9% in other smaller communities. Changes in age structure and different growth rates by community can impact the type and location of demand for government programs and services.

Employment

The relationship between changes in population and economic activity is reflected in recent employment trends. Overall employment rates declined significantly in the Northwest Territories with the recent recession, but are now recovering. Although resident employment contracted by 200 people between 2012 and 2013, employment in the Northwest Territories is forecast to increase by 2.0% in 2014.

The overall employment rate in the Northwest Territories continues to be higher than the average employment rate for Canada. In 2013, the territorial employment rate was 70.4% compared to the national employment rate of 61.8%. Despite a good overall employment rate, there are significant variations in employment rates within the territory depending on community type and education levels. In Yellowknife the employment rate was projected to be 81.3%, while in smaller communities it was projected to be 60.0%. The employment rate however does not provide the true breadth of labor market problems in communities such as access to meaningful employment. The underlying factors for this disparity are a continuing challenge.

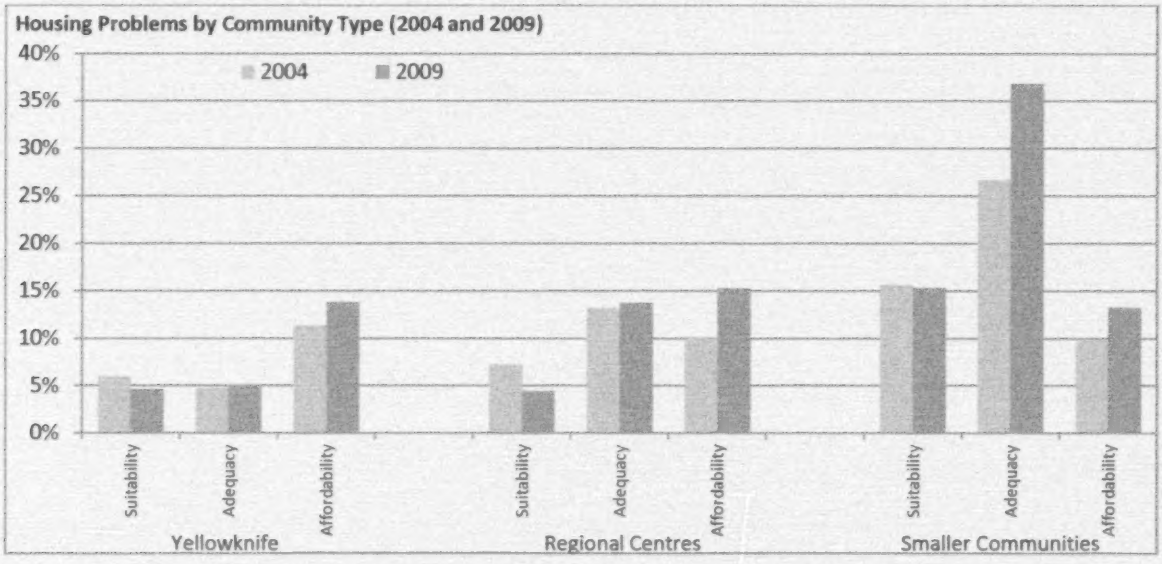
As employment rates for those who have graduated from high school are almost double the rates of those who have not, regardless of ethnicity, geography or gender, it is clear that education levels are the most direct indicator of employment. High school graduation rates in the NWT, and, in particular, graduation rates for Aboriginal students, have improved although they still lag behind the average graduation rate in Canada by about 20%. The gap in results between Aboriginal and non-Aboriginal students is still apparent.



Social Conditions

While the NWT lags behind other Canadian jurisdictions with respect to many social indicators, social conditions in many areas have shown improvement in recent years. The work planned for 2015-16 may impact positively on the existing trend.

The 2009 Community Survey showed that 65.4% of households in smaller communities, 33.5% of households in regional centres and 23.5% of household in Yellowknife having some sort of housing problems. Consequently, improving housing conditions continues to be an important priority for the 17th Legislative Assembly. *Building for the Future: Northern Solutions for Northern Housing* is the government's strategic framework that will guide its actions aimed at improving housing conditions in the NWT. Results of the 2014 NWT Community Survey were not available at the time of writing, but will be used to review and direct further action in this area.



Life expectancy in the NWT is 6 years lower than the Canadian average and the NWT lags behind Canada on many indicators of general health. Some 63% of NWT residents 15 years of age and older are overweight or obese, compared with 51% of Canadians. Similarly, fewer NWT residents eat healthy amounts of fruits and vegetables than do residents in general in Canada. The prevalence of daily smoking in the NWT is nearly double the Canadian rate (25% vs. 14%).

Social issues such as poverty, homelessness, loss of traditional lifestyle and culture are contributing factors, resulting in a high incidence of mental health and addictions issues in the NWT. Rates of substance abuse, family violence, suicide and trauma are higher in the NWT than national averages and increased complexity and concurrent disorders will result in more complex health issues and pressure on; law enforcement, courts, corrections, income support, social services and housing.

The crime rate in the NWT is about eight times the national average and the gap between the territory and Canada has been widening over the past decade. Crime in the NWT is largely

driven by socio-economic factors, including addictions and mental health issues, family violence and dysfunction, poverty, homelessness, low literacy and education levels, and low employment prospects. Mischief, disturbing the peace and administration of justice offences, such as breach of probation, all of which are often related to abuse of alcohol, represent the overwhelming majority of criminal incidents reported to police. Increases in the violent crime rate over the last ten years are troubling, although they constitute a smaller proportion of overall crime.

There is a very strong correlation between social issues and households with low income and there is considerable disparity in income distribution by community type. In 2009, 16.7% of families in the NWT had a total annual household income under $30,000: 10.1% of families in Yellowknife, 17.5% of families in the regional centers of Hay River, Inuvik or Fort Smith, and 26.5% of families in the smaller communities reported having had under $30,000 in annual income.

In collaboration with stakeholders from across the NWT, the GNWT has developed a Strategic Framework Towards the Elimination of Poverty to improve the well-being and self-reliance of Northerners. The GNWT Action Plan focuses on support for vulnerable children and families, healthy food for children, improved education and life skills, safe and affordable housing, and recommendations from the Minister's Forum on Addictions and Community Wellness are also moving forward.

Environment

The GNWT faces continuing land use challenges and there is an on-going need to promote responsible and sustainable development that preserves both our environment and future economic opportunities. Sustainable development of the territory's natural resources and the conservation and protection of its wildlife, forest, land and water resources need to go hand in hand.

Environmental stewardship and management of natural resources is a shared responsibility in the Northwest Territories. Our decisions need to be guided by a long-term vision that ensures territorial residents enjoy the benefits of the land and its resources for generations to come.

The *NWT Land Use and Sustainability Framework* will guide GNWT decision making about land use matters in a consistent manner based on clear interests. As well, the *Water Stewardship Strategy*, the *Mineral Development Strategy*, the *Economic Opportunities Strategy*, and the *Protected Areas Strategy*, all guide GNWT actions designed to bring sustainable development while protecting our environment.

Devolution

The negotiation, planning, and implementation of a devolution agreement with Canada were a major focus in previous business plans. The coming into force of legislation devolving authority for the administration and management of public lands from the federal government to the GNWT on April 1, 2014, will promote self-sufficiency and prosperity of the Territory and reduce its reliance on federal funding.

Devolution provides new opportunities for NWT governments, both public and Aboriginal, to work together to ensure that land use, natural resource stewardship, and regulatory improvement are managed in the best interests of NWT residents. The GNWT has decided that

new revenues that will flow to the GNWT as a result of devolution will be shared with Aboriginal governments, saved in the NWT Heritage Fund, and devoted to capital or debt servicing, rather than being used for operational purposes.

These matters are discussed in the Business Plans for the departments with changed responsibilities: Lands; Environment and Natural Resources; Industry, Tourism and Investment; and Municipal and Community Affairs.

Infrastructure

The GNWT is committed to adhering to its *Fiscal Responsibility Policy* and using operating surpluses to fund 50% of capital investment, while ensuring that debt service payments do not exceed 5% of total revenues. This commitment, combined with aging infrastructure and high construction costs continue to present challenges. The GNWT did advance capital spending during the recession to take advantage of federal funds made available to offset the decline in private sector spending. The continuation of the federal Gas Tax Fund and a renewed Building Canada Plan will assist the GNWT to renew and expand vital infrastructure projects. Likewise, the GNWT's increased borrowing limit will help it to fund infrastructure priorities in the last year of the 17th Assembly. The 17th Legislative Assembly has identified as a priority investments in the Inuvik-Tuktoyaktuk highway, the Mackenzie Valley Fibre Optic link and hydro initiatives. Similarly, the GNWT remains committed to investing in community governments to address their infrastructure priorities. However, it is expected that overall capital expenditures by government will return to pre-recession levels in 2016-17.

3. Fiscal Position and Budget

Fiscal Overview

The GNWT continues its fiscal strategy to manage operating expenditure growth in order to generate surpluses needed for infrastructure investment. Generating operating surpluses is crucial so that the GNWT can tackle the $3.8 billion infrastructure deficit in a fiscally sustainable manner. The GNWT is committed to the prudent debt management guidelines in its Fiscal Responsibility Policy, which requires that the GNWT produce operating surpluses to fund at least half of its annual infrastructure investments.

Total revenues for the 2015-16 fiscal periods are forecast to be $1.838 billion, which is a 0.6% decrease from the 2014-15 Main Estimates. The GNWT will continue to rely on federal transfers for the bulk of its revenues. The NWT stagnant population growth and especially lower provincial government spending has reduced the Gross Expenditure Base escalator under Territorial Formula Financing. As a result the Territorial Formula Financing Grant annual growth rate has decreased from an average of 6.9 per cent over the past 5 years to a projected 0.8 per cent over the next five years and is the main reason for growth in total revenues to change from an average annual 5.6 per cent increase over the last 5 years to a projected annual growth of 0.5 per cent going forward.

However, demands for programs and services and infrastructure will continue to place pressure on expenditures. The fiscal strategy calls for expenditure growth, net of compensation increases to be capped at 2 per cent. This will allow the GNWT share of capital investment to be $125

million in 2015-16 and thereafter maintained at $75 million per year. The proposed 2015-16 business plans support this strategy.

The draft 2015-16 Annual Business Plans propose Operations Expenditures totalling $1.63 billion. This represents growth of about 1.10% from the 2014-15 Main Estimates. The proposed 2015-16 Business Plans includes $38.7 million for Forced Growth, $19.3 million for Initiatives and Other Adjustments and offset by $22.9 million in sunsets and $11.3 million in expenditure reductions.

Operation Expenditures ($000)

	2014-15 Main Estimates	Transfers and Restatements	Sunsets	Reductions	Initiatives	Other Adjustments	Forced Growth	Amortization Adjustments	2015-16 Business Plans	Increase/ (Decrease)	Percent Change
LA	**18,989**	-	-	-	25	-	142	-	**19,156**	167	0.88
Executive	**11,563**	(437)	-	(154)	11	-	352	-	**11,335**	(228)	(1.97)
HR	**23,636**	(268)	-	(358)	170	-	1,144	-	**24,324**	688	2.91
AAIR	**9,195**	49	-	(122)	15	-	203	-	**9,340**	145	1.58
Finance	**127,148**	414	(4,129)	(1,443)	39	-	791	-	**122,829**	(4,319)	(3.40)
NWTHC	**88,482**	(8)	(1,350)	(842)	700	-	1,680	-	**88,662**	180	0.22
MACA	**99,451**	339	-	(474)	222	-	2,939	-	**102,477**	3,026	3.04
PW&S	**108,915**	6,517	(1,288)	(1,299)	1,448	-	5,034	-	**119,327**	10,412	9.56
H&SS	**391,929**	(418)	(2,421)	(497)	3,570	-	8,534	-	**400,697**	8,768	2.24
Justice	**124,955**	(14)	(992)	(809)	1,963	-	3,686	(11)	**128,778**	3,823	3.06
ECE	**305,599**	(9)	(162)	(1,949)	129	21	7,753	(100)	**311,282**	5,683	1.86
DOT	**126,161**	(13)	(2,720)	(1,188)	163	-	2,771	(5,901)	**119,273**	(6,888)	(5.46)
ITI	**67,541**	(1,704)	(4,468)	(843)	5,038	-	784	(53)	**66,295**	(1,246)	(1.84)
ENR	**87,528**	(4,448)	(4,987)	(978)	3,666	-	2,856	74	**83,711**	(3,817)	(4.36)
Lands	**26,830**	-	(405)	(297)	1,802	350	-	(47)	**28,233**	1,403	5.23
	1,612,922	-	**(22,913)**	**(11,253)**	**18,961**	**371**	**38,669**	**(6,038)**	**1,630,719**	17,797	**1.10**

Elements of Change in Operations Expense ($000s)

	2014-15 Main Estimates	2015-16 Business Plans	Increase (Decrease) from 2014-15 Main Estimates	Percentage Change from 2014-15 Main Estimates
Legislative Assembly	18,989	19,156	167	0.88
Executive Offices	11,563	11,335	(228)	(1.97)
Human Resources	23,636	24,324	688	2.91
Aboriginal Affairs and Intergovernmental Relations	9,195	9,340	145	1.58
Finance	127,148	122,829	(4,319)	(3.40)
NWT Housing Corporation	83,482	83,662	180	0.22
Municipal and Community Affairs	99,451	102,477	3,026	3.04
Public Works and Services	108,915	119,327	10,412	9.56
Health and Social Services	391,929	400,697	8,768	2.24
Justice	124,955	128,778	3,823	3.06
Education, Culture and Employment	305,599	311,282	5,683	1.86
Transportation	126,161	119,273	(6,888)	(5.46)
Industry, Tourism and Investment	67,541	66,295	(1,246)	(1.84)
Environment and Natural Resources	87,528	83,711	(3,817)	(4.36)
Lands	26,830	28,233	1,403	5.23
	1,612,922	**1,630,719**	**17,797**	**1.10**